

# HOUSE BILL No. 1135

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.5.

**Synopsis:** Local option income taxes. Provides that an individual who has a principal place of employment or business in a county other than the individual's county of residence shall pay a county adjusted gross income tax, county option income tax, or county economic development income tax imposed by the county where the individual maintains the principal place of employment or business at a rate that is one-half of the sum of the tax rates imposed on residents of the county under those taxes. Provides a credit against any tax liability imposed by the individual's county of residence equal to the amount of the tax paid to the county where the individual has the individual's principal place of employment or business.

**Effective:** January 1, 2016.

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## Pryor

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January 8, 2015, read first time and referred to Committee on Ways and Means.

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First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## HOUSE BILL No. 1135

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A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 6-3.5-1.1-1, AS AMENDED BY P.L.146-2008,  
2       SECTION 326, IS AMENDED TO READ AS FOLLOWS  
3       [EFFECTIVE JANUARY 1, 2016]: Sec. 1. As used in this chapter:  
4       "Adjusted gross income" has the same definition that the term is  
5       given in IC 6-3-1-3.5(a), except that in the case of a county taxpayer  
6       who is not a resident of a county that has imposed the county adjusted  
7       gross income tax, the term includes only adjusted gross income derived  
8       from the taxpayer's principal place of business or employment.  
9       "Apartment complex" means real property consisting of at least five  
10       (5) units that are regularly used to rent or otherwise furnish residential  
11       accommodations for periods of at least thirty (30) days.  
12       "Civil taxing unit" means any entity having the power to impose ad  
13       valorem property taxes except a school corporation. The term does not  
14       include a solid waste management district that is not entitled to a  
15       distribution under section 1.3 of this chapter. However, in the case of



a consolidated city, the term "civil taxing unit" includes the consolidated city and all special taxing districts, all special service districts, and all entities whose budgets and property tax levies are subject to review under IC 36-3-6-9.

"County council" includes the city-county council of a consolidated city.

"County taxpayer" as it relates to a county for a year means any individual:

(1) who resides in that county on the date specified in section 16 of this chapter; or

(2) who maintains the taxpayer's principal place of business or employment in that county on the date specified in section 16 of this chapter. ~~and who does not on that same date reside in another county in which the county adjusted gross income tax, the county option income tax, or the county economic development income tax is in effect.~~

"Department" refers to the Indiana department of state revenue.

"Homestead" has the meaning set forth in IC 6-1.1-12-37.

"Nonresident county taxpayer" as it relates to a county for a year means any county taxpayer for that county for that year who is not a resident county taxpayer of that county for that year.

"Qualified residential property" refers to any of the following:

(1) An apartment complex.

(2) A homestead.

(3) Residential rental property.

"Resident county taxpayer" as it relates to a county for a year means any county taxpayer who resides in that county on the date specified in section 16 of this chapter.

"Residential rental property" means real property consisting of not more than four (4) units that are regularly used to rent or otherwise furnish residential accommodations for periods of at least thirty (30) days.

"School corporation" means any public school corporation established under Indiana law.

SECTION 2. IC 6-3.5-1.1-2, AS AMENDED BY P.L.261-2013, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) The county council of any county in which the county option income tax will not be in effect on December 1 of a year under an ordinance adopted during a previous calendar year may impose the county adjusted gross income tax on the adjusted gross income of county taxpayers of its county.

(b) Except as provided in section 2.3, 2.5, 2.7, 2.8, 2.9, 3.3, 3.5, 3.6,



24, 25, or 26 of this chapter, the county adjusted gross income tax may be imposed at a rate of one-half of one percent (0.5%), three-fourths of one percent (0.75%), or one percent (1%) on the adjusted gross income of resident county taxpayers of the county. Any county imposing the county adjusted gross income tax must impose the tax on **adjusted gross income** of the nonresident county taxpayers at a rate of ~~one-fourth of one percent (0.25%) on their adjusted gross income determined under section 4.5 of this chapter~~. If the county council elects to decrease the county adjusted gross income tax, the county council may decrease the county adjusted gross income tax rate in increments of one-tenth of one percent (0.1%).

(c) To impose the county adjusted gross income tax, the county council must adopt an ordinance. The ordinance must substantially state the following:

"The \_\_\_\_\_ County Council imposes the county adjusted gross income tax on the county taxpayers of \_\_\_\_\_ County. The county adjusted gross income tax is imposed at a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the resident county taxpayers of the county and ~~one-fourth of one percent (0.25%)~~ **at a rate of \_\_\_\_\_ percent (\_\_\_\_%)** on the nonresident county taxpayers of the county."

(d) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this section and, not more than ten (10) days after the vote, send a certified copy of the results to the commissioner of the department, the director of the budget agency, and the commissioner of the department of local government finance in an electronic format approved by the director of the budget agency.

(e) If the county adjusted gross income tax had previously been adopted by a county under IC 6-3.5-1 (before its repeal on March 15, 1983) and that tax was in effect at the time of the enactment of this chapter, then the county adjusted gross income tax continues in that county at the rates in effect at the time of enactment until the rates are modified or the tax is rescinded in the manner prescribed by this chapter. If a county's adjusted gross income tax is continued under this subsection, then the tax shall be treated as if it had been imposed under this chapter and is subject to rescission or reduction as authorized in this chapter.

SECTION 3. IC 6-3.5-1.1-4.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: **Sec. 4.5. (a) This section applies only to a nonresident county taxpayer.**



(b) The county adjusted gross income tax rate in effect for a nonresident county taxpayer in the county where the nonresident county taxpayer maintains the nonresident county taxpayer's principal place of business or employment is one-half (1/2) of the sum of the tax rates imposed under this chapter on the adjusted gross income of resident county taxpayers who reside in the county where the nonresident county taxpayer maintains the nonresident county taxpayer's principal place of business or employment.

SECTION 4. IC 6-3.5-1.1-4.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 4.7. (a) This section applies if a taxpayer is obligated in the same taxable year to pay:

- (1) a tax rate determined under section 4.5 of this chapter in a county where the taxpayer has a principal place of business or employment; and
- (2) one (1) or more of the taxes imposed under this chapter, IC 6-3.5-6, and IC 6-3.5-7 in the county where the taxpayer resides.

(b) A taxpayer is eligible for a credit against the taxpayer's liability for one (1) or more of the taxes described in subsection (a)(2) that are imposed by the county where the taxpayer resides. The amount of the credit is equal to the amount of the tax paid under section 4.5 of this chapter in the county where the taxpayer has a principal place of business or employment.

(c) To receive the credit provided by this section, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department all information that the department determines is necessary for the calculation of the credit provided by this section.

SECTION 5. IC 6-3.5-1.1-9, AS AMENDED BY P.L.153-2014, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 9. (a) Revenue derived from the imposition of the county adjusted gross income tax shall, in the manner prescribed by this section, be distributed to the county that imposed it. The amount to be distributed to a county during an ensuing calendar year equals the amount of county adjusted gross income tax revenue that the budget agency determines has been:

- (1) received from that county for a taxable year ending before the calendar year in which the determination is made; and
- (2) reported on an annual return or amended return processed by the department in the state fiscal year ending before July 1 of the



1           calendar year in which the determination is made;  
 2           as adjusted for refunds of county adjusted gross income tax made in the  
 3           state fiscal year.

4           (b) Before August 2 of each calendar year, the budget agency shall  
 5           provide to the county auditor of each adopting county an estimate of  
 6           the amount determined under subsection (a) that will be distributed to  
 7           the county, based on known tax rates. Not later than thirty (30) days  
 8           after receiving the estimate of the certified distribution, the county  
 9           auditor shall notify each taxing unit of the estimated amount of  
 10          property tax replacement credits, certified shares, and other revenue  
 11          that will be distributed to the taxing unit under this chapter during the  
 12          ensuing calendar year. Before October 1 of each calendar year, the  
 13          budget agency shall certify to the county auditor of each adopting  
 14          county the amount determined under subsection (a) plus the amount of  
 15          interest in the county's account that has accrued and has not been  
 16          included in a certification made in a preceding year. The amount  
 17          certified is the county's "certified distribution" for the immediately  
 18          succeeding calendar year. The amount certified shall be adjusted under  
 19          subsections (c), (d), (e), (f), and (g). Not later than thirty (30) days after  
 20          receiving the notice of the amount of the certified distribution, the  
 21          county auditor shall notify each taxing unit of the amount of property  
 22          tax replacement credits, certified shares, and other revenue that will be  
 23          distributed to the taxing unit under this chapter during the ensuing  
 24          calendar year. The budget agency shall provide the county council with  
 25          an informative summary of the calculations used to determine the  
 26          certified distribution. The summary of calculations must include:

- 27           (1) the amount reported on individual income tax returns
- 28           processed by the department during the previous fiscal year;
- 29           (2) adjustments for over distributions in prior years;
- 30           (3) adjustments for clerical or mathematical errors in prior years;
- 31           (4) adjustments for tax rate changes; and
- 32           (5) the amount of excess account balances to be distributed under
- 33           IC 6-3.5-1.1-21.1.

34          The budget agency shall also certify information concerning the part of  
 35          the certified distribution that is attributable to a tax rate under section  
 36          24, 25, or 26 of this chapter. This information must be certified to the  
 37          county auditor, the department, and the department of local government  
 38          finance before October 1 of each calendar year. The part of the certified  
 39          distribution that is attributable to a tax rate under section 24, 25, or 26  
 40          of this chapter may be used only as specified in those provisions.

41          (c) The budget agency shall certify an amount less than the amount  
 42          determined under subsection (b) if the budget agency determines that



1 the reduced distribution is necessary to offset overpayments made in a  
2 calendar year before the calendar year of the distribution. The budget  
3 agency may reduce the amount of the certified distribution over several  
4 calendar years so that any overpayments are offset over several years  
5 rather than in one (1) lump sum.

6 (d) The budget agency shall adjust the certified distribution of a  
7 county to correct for any clerical or mathematical errors made in any  
8 previous certification under this section. The budget agency may  
9 reduce the amount of the certified distribution over several calendar  
10 years so that any adjustment under this subsection is offset over several  
11 years rather than in one (1) lump sum.

12 (e) This subsection applies to a county that initially imposes,  
13 increases, decreases, or rescinds a tax or tax rate under this chapter  
14 before November 1 in the same calendar year in which the budget  
15 agency makes a certification under this section. The budget agency  
16 shall adjust the certified distribution of a county to provide for a  
17 distribution in the immediately following calendar year and in each  
18 calendar year thereafter. The budget agency shall provide for a full  
19 transition to certification of distributions as provided in subsection  
20 (a)(1) through (a)(2) in the manner provided in subsection (c). If the  
21 county imposes, increases, decreases, or rescinds a tax or tax rate under  
22 this chapter after the date for which a certification under subsection (b)  
23 is based, the budget agency shall adjust the certified distribution of the  
24 county after September 30 of the calendar year. The adjustment shall  
25 reflect any other adjustment required under subsections (c), (d), (f), and  
26 (g). The adjusted certification shall be treated as the county's "certified  
27 distribution" for the immediately succeeding calendar year. The budget  
28 agency shall certify the adjusted certified distribution to the county  
29 auditor for the county and provide the county council with an  
30 informative summary of the calculations that revises the informative  
31 summary provided in subsection (b) and reflects the changes made in  
32 the adjustment.

33 (f) The budget agency shall adjust the certified distribution of a  
34 county to provide the county with the distribution required under  
35 section 3.3 of this chapter beginning not later than the tenth month after  
36 the month in which additional revenue from the tax authorized under  
37 section 3.3 of this chapter is initially collected.

38 (g) This subsection applies in the year in which a county initially  
39 imposes a tax rate under section 24 of this chapter. Notwithstanding  
40 any other provision, the budget agency shall adjust the part of the  
41 county's certified distribution that is attributable to the tax rate under  
42 section 24 of this chapter to provide for a distribution in the



1 immediately following calendar year equal to the result of:

- 2 (1) the sum of the amounts determined under STEP ONE through  
 3 STEP FOUR of IC 6-3.5-1.5-1(b) in the year in which the county  
 4 initially imposes a tax rate under section 24 of this chapter;  
 5 multiplied by  
 6 (2) two (2).

7 (h) The budget agency shall before May 1 of every odd-numbered  
 8 year publish an estimate of the statewide total amount of certified  
 9 distributions to be made under this chapter during the following two (2)  
 10 calendar years.

11 (i) The budget agency shall before May 1 of every even-numbered  
 12 year publish an estimate of the statewide total amount of certified  
 13 distributions to be made under this chapter during the following  
 14 calendar year.

15 (j) The estimates under subsections (h) and (i) must specify the  
 16 amount of the estimated certified distributions that are attributable to  
 17 the additional rate authorized under section 24 of this chapter, the  
 18 additional rate authorized under section 25 of this chapter, the  
 19 additional rate authorized under section 26 of this chapter, and any  
 20 other additional rates authorized under this chapter.

21 **(k) Notwithstanding any other statute, the budget agency shall**  
 22 **adjust the certified distribution of a county to:**

23 **(1) provide the county with the taxes collected from**  
 24 **nonresident county taxpayers under section 4.5 of this**  
 25 **chapter; and**

26 **(2) account for taxes payable to another county by resident**  
 27 **county taxpayers who maintain a principal place of business**  
 28 **or employment in another county;**

29 **beginning not later than the tenth month after the month in which**  
 30 **additional revenue from nonresident county taxpayers is initially**  
 31 **collected under section 4.5 of this chapter.**

32 SECTION 6. IC 6-3.5-6-1, AS AMENDED BY P.L.146-2008,  
 33 SECTION 335, IS AMENDED TO READ AS FOLLOWS  
 34 [EFFECTIVE JANUARY 1, 2016]: Sec. 1. As used in this chapter:

35 "Adjusted gross income" has the same definition that the term is  
 36 given in IC 6-3-1-3.5. However, in the case of a county taxpayer who  
 37 is not treated as a resident county taxpayer of a county, the term  
 38 includes only adjusted gross income derived from the taxpayer's  
 39 principal place of business or employment.

40 "Apartment complex" means real property consisting of at least five  
 41 (5) units that are regularly used to rent or otherwise furnish residential  
 42 accommodations for periods of at least thirty (30) days.





"Civil taxing unit" means any entity, except a school corporation, that has the power to impose ad valorem property taxes. The term does not include a solid waste management district that is not entitled to a distribution under section 1.3 of this chapter. However, in the case of a county in which a consolidated city is located, the consolidated city, the county, all special taxing districts, special service districts, included towns (as defined in IC 36-3-1-7), and all other political subdivisions except townships, excluded cities (as defined in IC 36-3-1-7), and school corporations shall be deemed to comprise one (1) civil taxing unit whose fiscal body is the fiscal body of the consolidated city.

"County income tax council" means a council established by section 2 of this chapter.

"County taxpayer", as it relates to a particular county, means any individual:

- (1) who resides in that county on the date specified in section 20 of this chapter; or
- (2) who maintains the taxpayer's principal place of business or employment in that county on the date specified in section 20 of this chapter. ~~and who does not reside on that same date in another county in which the county option income tax, the county adjusted income tax, or the county economic development income tax is in effect.~~

"Department" refers to the Indiana department of state revenue.

"Fiscal body" has the same definition that the term is given in IC 36-1-2-6.

"Homestead" has the meaning set forth in IC 6-1.1-12-37.

**"Nonresident county taxpayer", as it relates to a particular county for a year, means any county taxpayer for that county for that year who is not a resident county taxpayer of that county for that year.**

"Qualified residential property" refers to any of the following:

- (1) An apartment complex.
- (2) A homestead.
- (3) Residential rental property.

"Resident county taxpayer", as it relates to a particular county, means any county taxpayer who resides in that county on the date specified in section 20 of this chapter.

"Residential rental property" means real property consisting of not more than four (4) units that are regularly used to rent or otherwise furnish residential accommodations for periods of at least thirty (30) days.

"School corporation" has the same definition that the term is given



1 in IC 6-1.1-1-16.

2 SECTION 7. IC 6-3.5-6-8, AS AMENDED BY P.L.261-2013,  
3 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
4 JANUARY 1, 2016]: Sec. 8. (a) The county income tax council of any  
5 county in which the county adjusted gross income tax will not be in  
6 effect on December 1 of a year under an ordinance adopted during a  
7 previous calendar year may impose the county option income tax on the  
8 adjusted gross income of county taxpayers of its county.

9 (b) Except as provided in sections 30, 31, and 32 of this chapter, the  
10 county option income tax may initially be imposed at a rate of  
11 two-tenths of one percent (0.2%) on the resident county taxpayers of  
12 the county and at a rate of five-hundredths of one percent (0.05%) for  
13 all other county taxpayers.

14 (c) To impose the county option income tax, a county income tax  
15 council must pass an ordinance. The ordinance must substantially state  
16 the following:

17 "The \_\_\_\_\_ County Income Tax Council imposes the  
18 county option income tax on the county taxpayers of  
19 \_\_\_\_\_ County. The county option income tax is  
20 imposed at a rate of two-tenths of one percent (0.2%) on the  
21 resident county taxpayers of the county and at a rate of  
22 five-hundredths of one percent (0.05%) on all other county  
23 taxpayers."

24 (d) Except as provided in sections 30, 31, and 32 of this chapter, if  
25 the county option income tax is imposed on the county taxpayers of a  
26 county, then the county option income tax rate that is in effect for  
27 resident county taxpayers of that county increases by one-tenth of one  
28 percent (0.1%) on each succeeding October 1 until the rate equals  
29 six-tenths of one percent (0.6%).

30 (e) The county option income tax rate in effect for the ~~county~~  
31 ~~taxpayers of a county who are not resident~~ **nonresident** county  
32 taxpayers of that county is ~~at all times one-fourth (1/4) of the tax rate~~  
33 ~~imposed upon resident county taxpayers.~~ **the rate determined under**  
34 **section 8.5 of this chapter.**

35 (f) The auditor of a county shall record all votes taken on ordinances  
36 presented for a vote under this section and, not more than ten (10) days  
37 after the vote, send a certified copy of the results to the commissioner  
38 of the department, the director of the budget agency, and the  
39 commissioner of the department of local government finance in an  
40 electronic format approved by the director of the budget agency.

41 SECTION 8. IC 6-3.5-6-8.5 IS ADDED TO THE INDIANA CODE  
42 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE



JANUARY 1, 2016]: **Sec. 8.5. (a) This section applies only to a nonresident county taxpayer.**

**(b) The county option income tax rate in effect for a nonresident county taxpayer in the county where the nonresident county taxpayer maintains the nonresident county taxpayer's principal place of business or employment is one-half (1/2) of the sum of the tax rates imposed under this chapter on the adjusted gross income of resident county taxpayers who reside in the county where the nonresident county taxpayer maintains the nonresident county taxpayer's principal place of business or employment.**

SECTION 9. IC 6-3.5-6-9.7 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 9.7. (a) This section applies if a taxpayer is obligated in the same calendar year to pay:**

**(1) a tax rate determined under section 8.5 of this chapter in a county where the taxpayer has a principal place of business or employment; and**

**(2) one (1) or more of the taxes imposed under this chapter, IC 6-3.5-1.1, and IC 6-3.5-7 in the county where the taxpayer resides.**

**(b) A taxpayer is eligible for a credit against the taxpayer's liability for one (1) or more of the taxes described in subsection (a)(2) that are imposed by the county where the taxpayer resides. The amount of the credit is equal to the amount of the tax paid under section 8.5 of this chapter in the county where the taxpayer has a principal place of business or employment.**

**(c) To receive the credit provided by this section, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department all information that the department determines is necessary for the calculation of the credit provided by this section.**

SECTION 10. IC 6-3.5-6-17, AS AMENDED BY P.L.153-2014, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: **Sec. 17. (a) Revenue derived from the imposition of the county option income tax shall, in the manner prescribed by this section, be distributed to the county that imposed it. The amount that is to be distributed to a county during an ensuing calendar year equals the amount of county option income tax revenue that the budget agency determines has been:**

**(1) received from that county for a taxable year ending in a calendar year preceding the calendar year in which the**



1 determination is made; and  
 2 (2) reported on an annual return or amended return processed by  
 3 the department in the state fiscal year ending before July 1 of the  
 4 calendar year in which the determination is made;  
 5 as adjusted (as determined after review of the recommendation of the  
 6 budget agency) for refunds of county option income tax made in the  
 7 state fiscal year.

8 (b) Before August 2 of each calendar year, the budget agency shall  
 9 provide to the county auditor of each adopting county an estimate of  
 10 the amount determined under subsection (a) that will be distributed to  
 11 the county, based on known tax rates. Not later than thirty (30) days  
 12 after receiving the estimate of the certified distribution, the county  
 13 auditor shall notify each taxing unit of the estimated amount of  
 14 distributive shares and other revenue that will be distributed to the  
 15 taxing unit under this chapter during the ensuing calendar year. Before  
 16 October 1 of each calendar year, the budget agency shall certify to the  
 17 county auditor of each adopting county the amount determined under  
 18 subsection (a) plus the amount of interest in the county's account that  
 19 has accrued and has not been included in a certification made in a  
 20 preceding year. The amount certified is the county's "certified  
 21 distribution" for the immediately succeeding calendar year. The amount  
 22 certified shall be adjusted, as necessary, under subsections (c), (d), (e),  
 23 and (f). Not later than thirty (30) days after receiving the notice of the  
 24 amount of the certified distribution, the county auditor shall notify each  
 25 taxing unit of the amount of distributive shares and other revenue that  
 26 will be distributed to the taxing unit under this chapter during the  
 27 ensuing calendar year. The budget agency shall provide the county  
 28 council with an informative summary of the calculations used to  
 29 determine the certified distribution. The summary of calculations must  
 30 include:

- 31 (1) the amount reported on individual income tax returns
- 32 processed by the department during the previous fiscal year;
- 33 (2) adjustments for over distributions in prior years;
- 34 (3) adjustments for clerical or mathematical errors in prior years;
- 35 (4) adjustments for tax rate changes; and
- 36 (5) the amount of excess account balances to be distributed under
- 37 IC 6-3.5-6-17.3.

38 The budget agency shall also certify information concerning the part of  
 39 the certified distribution that is attributable to a tax rate under section  
 40 30, 31, or 32 of this chapter. This information must be certified to the  
 41 county auditor and to the department of local government finance  
 42 before October 1 of each calendar year. The part of the certified



1 distribution that is attributable to a tax rate under section 30, 31, or 32  
2 of this chapter may be used only as specified in those provisions.

3 (c) The budget agency shall certify an amount less than the amount  
4 determined under subsection (b) if the budget agency determines that  
5 the reduced distribution is necessary to offset overpayments made in a  
6 calendar year before the calendar year of the distribution. The budget  
7 agency may reduce the amount of the certified distribution over several  
8 calendar years so that any overpayments are offset over several years  
9 rather than in one (1) lump sum.

10 (d) The budget agency shall adjust the certified distribution of a  
11 county to correct for any clerical or mathematical errors made in any  
12 previous certification under this section. The budget agency may  
13 reduce the amount of the certified distribution over several calendar  
14 years so that any adjustment under this subsection is offset over several  
15 years rather than in one (1) lump sum.

16 (e) This subsection applies to a county that imposes, increases,  
17 decreases, or rescinds a tax or tax rate under this chapter before  
18 November 1 in the same calendar year in which the budget agency  
19 makes a certification under this section. The budget agency shall adjust  
20 the certified distribution of a county to provide for a distribution in the  
21 immediately following calendar year and in each calendar year  
22 thereafter. The budget agency shall provide for a full transition to  
23 certification of distributions as provided in subsection (a)(1) through  
24 (a)(2) in the manner provided in subsection (c). If the county imposes,  
25 increases, decreases, or rescinds a tax or tax rate under this chapter  
26 after the date for which a certification under subsection (b) is based, the  
27 budget agency shall adjust the certified distribution of the county after  
28 September 30 of the calendar year. The adjustment shall reflect any  
29 other adjustment required under subsections (c), (d), and (f). The  
30 adjusted certification shall be treated as the county's "certified  
31 distribution" for the immediately succeeding calendar year. The budget  
32 agency shall certify the adjusted certified distribution to the county  
33 auditor for the county and provide the county council with an  
34 informative summary of the calculations that revises the informative  
35 summary provided in subsection (b) and reflects the changes made in  
36 the adjustment.

37 (f) This subsection applies in the year a county initially imposes a  
38 tax rate under section 30 of this chapter. Notwithstanding any other  
39 provision, the budget agency shall adjust the part of the county's  
40 certified distribution that is attributable to the tax rate under section 30  
41 of this chapter to provide for a distribution in the immediately  
42 following calendar year equal to the result of:



(1) the sum of the amounts determined under STEP ONE through STEP FOUR of IC 6-3.5-1.5-1(b) in the year in which the county initially imposes a tax rate under section 30 of this chapter; multiplied by

(2) the following:

(A) In a county containing a consolidated city, one and five-tenths (1.5).

(B) In a county other than a county containing a consolidated city, two (2).

(g) One-twelfth (1/12) of each adopting county's certified distribution for a calendar year shall be distributed from its account established under section 16 of this chapter to the appropriate county treasurer on the first regular business day of each month of that calendar year.

(h) Upon receipt, each monthly payment of a county's certified distribution shall be allocated among, distributed to, and used by the civil taxing units of the county as provided in sections 18 and 19 of this chapter.

(i) All distributions from an account established under section 16 of this chapter shall be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

(j) The budget agency shall before May 1 of every odd-numbered year publish an estimate of the statewide total amount of certified distributions to be made under this chapter during the following two (2) calendar years.

(k) The budget agency shall before May 1 of every even-numbered year publish an estimate of the statewide total amount of certified distributions to be made under this chapter during the following calendar year.

(l) The estimates under subsections (j) and (k) must specify the amount of the estimated certified distributions that are attributable to the additional rate authorized under section 30 of this chapter, the additional rate authorized under section 31 of this chapter, the additional rate authorized under section 32 of this chapter, and any other additional rates authorized under this chapter.

**(m) Notwithstanding any other statute, the budget agency shall adjust the certified distribution of a county to:**

**(1) provide the county with the taxes collected from nonresident county taxpayers under section 8.5 of this chapter; and**

**(2) account for taxes payable to another county by resident county taxpayers who maintain a principal place of business**



1           **or employment in another county;**  
 2           **beginning not later than the tenth month after the month in which**  
 3           **additional revenue from nonresident county taxpayers is initially**  
 4           **collected under section 8.5 of this chapter.**

5           SECTION 11. IC 6-3.5-7-3 IS AMENDED TO READ AS  
 6           FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 3. (a) As used in  
 7           this chapter, "county taxpayer" as it relates to a county for a year means  
 8           any individual who:

9           (1) resides in that county on the date specified in section 17 of  
 10          this chapter; or

11          (2) maintains a principal place of business or employment in that  
 12          county on the date specified in section 17 of this chapter. ~~and who~~  
 13          ~~does not on that same date reside in another county in which the~~  
 14          ~~county adjusted gross income tax, the county option income tax,~~  
 15          ~~or the county economic development income tax is in effect.~~

16          (b) As used in this chapter, "nonresident county taxpayer", as  
 17          it relates to a county for a year, means any county taxpayer for  
 18          that county for that year who is not a resident county taxpayer of  
 19          that county for that year.

20          (c) As used in this chapter, "resident county taxpayer", as it  
 21          relates to a county for a year, means any county taxpayer who  
 22          resides in that county on the date specified in section 17 of this  
 23          chapter.

24          SECTION 12. IC 6-3.5-7-5, AS AMENDED BY P.L.153-2014,  
 25          SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 26          JANUARY 1, 2016]: Sec. 5. (a) Except as provided in subsection (c),  
 27          the county economic development income tax may be imposed on the  
 28          adjusted gross income of county taxpayers. Except as provided in  
 29          section 26(m) of this chapter, the entity that may impose the tax is:

30          (1) the county income tax council (as defined in IC 6-3.5-6-1) if  
 31          the county option income tax is in effect on October 1 of the year  
 32          the county economic development income tax is imposed;

33          (2) the county council if the county adjusted gross income tax is  
 34          in effect on October 1 of the year the county economic  
 35          development tax is imposed; or

36          (3) the county income tax council or the county council,  
 37          whichever acts first, for a county not covered by subdivision (1)  
 38          or (2).

39          To impose the county economic development income tax, a county  
 40          income tax council shall use the procedures set forth in IC 6-3.5-6  
 41          concerning the imposition of the county option income tax.

42          (b) Except as provided in this section and section 28 of this chapter,



the county economic development income tax may be imposed at a rate of:

- (1) one-tenth percent (0.1%);
- (2) two-tenths percent (0.2%);
- (3) twenty-five hundredths percent (0.25%);
- (4) three-tenths percent (0.3%);
- (5) thirty-five hundredths percent (0.35%);
- (6) four-tenths percent (0.4%);
- (7) forty-five hundredths percent (0.45%); or
- (8) five-tenths percent (0.5%);

on the adjusted gross income of **resident** county taxpayers. **Any county imposing the county economic development income tax must impose the tax on nonresident county taxpayers at the rate determined under section 7.5 of this chapter.**

(c) Except as provided in this section, the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in this section, the county economic development tax rate plus the county option income tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%).

(d) To impose, increase, decrease, or rescind the county economic development income tax, the appropriate body must adopt an ordinance.

(e) The ordinance to impose the tax must substantially state the following:

"The \_\_\_\_\_ County \_\_\_\_\_ imposes the county economic development income tax on the county taxpayers of \_\_\_\_\_ County. The county economic development income tax is imposed at a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the **resident** county taxpayers of the county **and at a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the nonresident county taxpayers of the county.**"

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this chapter and shall, not more than ten (10) days after the vote, send a certified copy of the results to the commissioner of the department, the director of the budget agency, and the commissioner of the department of local government finance in an electronic format approved by the director of the budget agency.

(g) For Jackson County, except as provided in subsection (o), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not





1 exceed one and thirty-five hundredths percent (1.35%) if the county has  
 2 imposed the county adjusted gross income tax at a rate of one and  
 3 one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

4 (h) For Pulaski County, except as provided in subsection (o), the  
 5 county economic development income tax rate plus the county adjusted  
 6 gross income tax rate that are in effect on January 1 of a year may not  
 7 exceed one and fifty-five hundredths percent (1.55%).

8 (i) For Wayne County, except as provided in subsection (o), the  
 9 county economic development income tax rate plus the county adjusted  
 10 gross income tax rate that are in effect on January 1 of a year may not  
 11 exceed one and five-tenths percent (1.5%).

12 (j) This subsection applies to Randolph County. Except as provided  
 13 in subsection (o), in addition to the rates permitted under subsection  
 14 (b):

15 (1) the county economic development income tax may be imposed  
 16 at a rate of twenty-five hundredths percent (0.25%); and

17 (2) the sum of the county economic development income tax rate  
 18 and the county adjusted gross income tax rate that are in effect on  
 19 January 1 of a year may not exceed one and five-tenths percent  
 20 (1.5%);

21 if the county council makes a determination to impose rates under this  
 22 subsection and section 22.5 of this chapter.

23 (k) For Daviess County, except as provided in subsection (o), the  
 24 county economic development income tax rate plus the county adjusted  
 25 gross income tax rate that are in effect on January 1 of a year may not  
 26 exceed one and five-tenths percent (1.5%).

27 (l) For:

28 (1) Elkhart County; or

29 (2) Marshall County;

30 except as provided in subsection (o), the county economic development  
 31 income tax rate plus the county adjusted gross income tax rate that are  
 32 in effect on January 1 of a year may not exceed one and five-tenths  
 33 percent (1.5%).

34 (m) For Union County, except as provided in subsection (o), the  
 35 county economic development income tax rate plus the county adjusted  
 36 gross income tax rate that are in effect on January 1 of a year may not  
 37 exceed one and five-tenths percent (1.5%).

38 (n) This subsection applies to Knox County. Except as provided in  
 39 subsection (o), in addition to the rates permitted under subsection (b):

40 (1) the county economic development income tax may be imposed  
 41 at a rate of twenty-five hundredths percent (0.25%); and

42 (2) the sum of the county economic development income tax rate



and:

(A) the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%); or

(B) the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this subsection and section 24 of this chapter.

(o) This subsection applies to a county in which an adopting entity approves the use of the certified distribution for property tax relief under section 26(c) and 26(e) of this chapter or to a county in which the county fiscal body approves the use of the certified distribution to fund a public transportation project under section 26(m) of this chapter. In addition:

(1) the county economic development income tax may be imposed at a rate that exceeds by not more than twenty-five hundredths percent (0.25%) the maximum rate that would otherwise apply under this section; and

(2) the:

(A) county economic development income tax; and

(B) county option income tax or county adjusted gross income tax;

may be imposed at combined rates that exceed by not more than twenty-five hundredths percent (0.25%) the maximum combined rates that would otherwise apply under this section.

Except as provided in section 5.5 of this chapter, the additional rate imposed under this subsection may not exceed the amount necessary to mitigate the increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1 (repealed) before January 1, 2009, or IC 6-1.1-12-37 after December 31, 2008) or residential property (as defined in section 26 of this chapter), as appropriate under the ordinance adopted by the adopting body in the county, resulting from the deduction of the assessed value of inventory in the county under IC 6-1.1-12-41 or IC 6-1.1-12-42 or from the exclusion in 2008 of inventory from the definition of personal property in IC 6-1.1-1-11.

(p) If the county economic development income tax is imposed as authorized under subsection (o) at a rate that exceeds the maximum rate that would otherwise apply under this section, the certified distribution must be used for a purpose provided in section 26 of this chapter to the extent that the certified distribution results from the difference between:



- (1) the actual county economic development tax rate; and
- (2) the maximum rate that would otherwise apply under this section.

(q) This subsection applies only to a county described in section 27 of this chapter. Except as provided in subsection (o), in addition to the rates permitted by subsection (b), the:

- (1) county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county council makes a determination to impose rates under this subsection and section 27 of this chapter.

(r) Except as provided in subsection (o), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%) if the county has imposed the county adjusted gross income tax under IC 6-3.5-1.1-3.3.

(s) This subsection applies to Howard County. Except as provided in subsection (o), the sum of the county economic development income tax rate and the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%).

(t) This subsection applies to Scott County. Except as provided in subsection (o), the sum of the county economic development income tax rate and the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%).

(u) This subsection applies to Jasper County. Except as provided in subsection (o), the sum of the county economic development income tax rate and the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(v) An additional county economic development income tax rate imposed under section 28 of this chapter may not be considered in calculating any limit under this section on the sum of:

- (1) the county economic development income tax rate plus the county adjusted gross income tax rate; or
- (2) the county economic development tax rate plus the county option income tax rate.

(w) The income tax rate limits imposed by subsection (c) or (x) or any other provision of this chapter do not apply to:



(1) a county adjusted gross income tax rate imposed under IC 6-3.5-1.1-24, IC 6-3.5-1.1-25, or IC 6-3.5-1.1-26; or

(2) a county option income tax rate imposed under IC 6-3.5-6-30, IC 6-3.5-6-31, or IC 6-3.5-6-32.

For purposes of computing the maximum combined income tax rate under subsection (c) or (x) or any other provision of this chapter that may be imposed in a county under IC 6-3.5-1.1, IC 6-3.5-6, and this chapter, a county's county adjusted gross income tax rate or county option income tax rate for a particular year does not include the county adjusted gross income tax rate imposed under IC 6-3.5-1.1-24, IC 6-3.5-1.1-25, or IC 6-3.5-1.1-26 or the county option income tax rate imposed under IC 6-3.5-6-30, IC 6-3.5-6-31, or IC 6-3.5-6-32.

(x) This subsection applies to Monroe County. Except as provided in subsection (o), if an ordinance is adopted under IC 6-3.5-6-33, the sum of the county economic development income tax rate and the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%).

(y) This subsection applies to Perry County. Except as provided in subsection (o), if an ordinance is adopted under section 27.5 of this chapter, the county economic development income tax rate plus the county option income tax rate that is in effect on January 1 of a year may not exceed one and seventy-five hundredths percent (1.75%).

(z) This subsection applies to Starke County. Except as provided in subsection (o), if an ordinance is adopted under section 27.6 of this chapter, the county economic development income tax rate plus the county adjusted gross income tax rate that is in effect on January 1 of a year may not exceed two percent (2%).

SECTION 13. IC 6-3.5-7-7.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: **Sec. 7.5. (a) This section applies only to a nonresident county taxpayer.**

**(b) The county economic development income tax rate in effect for the nonresident county taxpayer in the county where the nonresident county taxpayer maintains the nonresident county taxpayer's principal place of business or employment is one-half (1/2) of the sum of the tax rates imposed under this chapter on the adjusted gross income of resident county taxpayers who reside in the county where the nonresident county taxpayer maintains the nonresident county taxpayer's principal place of business or employment.**

SECTION 14. IC 6-3.5-7-7.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS



[EFFECTIVE JANUARY 1, 2016]: Sec. 7.7. (a) This section applies if a taxpayer is obligated in the same calendar year to pay:

(1) a tax rate determined under section 7.5 of this chapter in a county where the taxpayer has a principal place of business or employment; and

(2) one (1) or more of the taxes imposed under IC 6-3.5-1.1, IC 6-3.5-6, and this chapter in the county where the taxpayer resides.

(b) A taxpayer is eligible for a credit against the taxpayer's liability for one (1) or more of the taxes described in subsection (a)(2) that are imposed by the county where the taxpayer resides. The amount of the credit is equal to the amount of the tax paid under section 7.5 of this chapter in the county where the taxpayer has a principal place of business or employment.

(c) To receive the credit provided by this section, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department all information that the department determines is necessary for the calculation of the credit provided by this section.

SECTION 15. IC 6-3.5-7-11, AS AMENDED BY P.L.261-2013, SECTION 30, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 11. (a) Revenue derived from the imposition of the county economic development income tax shall, in the manner prescribed by this section, be distributed to the county that imposed it.

(b) Before August 2 of each calendar year, the budget agency shall provide to the county auditor of each adopting county an estimate of the amount determined under subsection (a) that will be distributed to the county, based on known tax rates. Not later than thirty (30) days after receiving the estimate of the certified distribution, the county auditor shall notify each taxing unit entitled to receive a distribution under this chapter of the estimated amount of the distribution and other revenue that will be distributed to the taxing unit under this chapter during the ensuing calendar year. Before October 1 of each calendar year, the budget agency shall certify to the county auditor of each adopting county the sum of the amount of county economic development income tax revenue that the budget agency determines has been:

(1) received from that county for a taxable year ending before the calendar year in which the determination is made; and

(2) reported on an annual return or amended return processed by the department in the state fiscal year ending before July 1 of the



1           calendar year in which the determination is made;  
 2           as adjusted for refunds of county economic development income tax  
 3           made in the state fiscal year plus the amount of interest in the county's  
 4           account that has been accrued and has not been included in a  
 5           certification made in a preceding year. The amount certified is the  
 6           county's certified distribution, which shall be distributed on the dates  
 7           specified in section 16 of this chapter for the following calendar year.

8           (c) The amount certified under subsection (b) shall be adjusted  
 9           under subsections (d), (e), (f), and (g). Not later than thirty (30) days  
 10          after receiving the notice of the amount of the certified distribution, the  
 11          county auditor shall notify each taxing unit entitled to receive a  
 12          distribution under this chapter of the amount of distribution and other  
 13          revenue that will be distributed to the taxing unit under this chapter  
 14          during the ensuing calendar year. The budget agency shall provide the  
 15          county council with an informative summary of the calculations used  
 16          to determine the certified distribution. The summary of calculations  
 17          must include:

- 18           (1) the amount reported on individual income tax returns
- 19           processed by the department during the previous fiscal year;
- 20           (2) adjustments for over distributions in prior years;
- 21           (3) adjustments for clerical or mathematical errors in prior years;
- 22           (4) adjustments for tax rate changes; and
- 23           (5) the amount of excess account balances to be distributed under
- 24           IC 6-3.5-7-17.3.

25          (d) The budget agency shall certify an amount less than the amount  
 26          determined under subsection (b) if the budget agency determines that  
 27          the reduced distribution is necessary to offset overpayments made in a  
 28          calendar year before the calendar year of the distribution. The budget  
 29          agency may reduce the amount of the certified distribution over several  
 30          calendar years so that any overpayments are offset over several years  
 31          rather than in one (1) lump sum.

32          (e) The budget agency shall adjust the certified distribution of a  
 33          county to correct for any clerical or mathematical errors made in any  
 34          previous certification under this section. The budget agency may  
 35          reduce the amount of the certified distribution over several calendar  
 36          years so that any adjustment under this subsection is offset over several  
 37          years rather than in one (1) lump sum.

38          (f) The budget agency shall adjust the certified distribution of a  
 39          county to provide the county with the amount of any tax increase  
 40          imposed under section 26 of this chapter to provide additional  
 41          homestead credits as provided in those provisions.

42          (g) This subsection applies to a county that imposes, increases,



decreases, or rescinds a tax or tax rate under this chapter before November 1 in the same calendar year in which the budget agency makes a certification under this section. The budget agency shall adjust the certified distribution of a county to provide for a distribution in the immediately following calendar year and in each calendar year thereafter. The budget agency shall provide for a full transition to certification of distributions as provided in subsection (b)(1) through (b)(2) in the manner provided in subsection (d). If the county imposes, increases, decreases, or rescinds a tax or tax rate under this chapter after the date for which a certification under subsection (b) is based, the budget agency shall adjust the certified distribution of the county after September 30 of the calendar year. The adjustment shall reflect any other adjustment authorized under subsections (c), (d), (e), and (f). The adjusted certification shall be treated as the county's certified distribution for the immediately succeeding calendar year. The budget agency shall certify the adjusted certified distribution to the county auditor for the county and provide the county council with an informative summary of the calculations that revises the informative summary provided in subsection (c) and reflects the changes made in the adjustment.

(h) The budget agency shall before May 1 of every odd-numbered year publish an estimate of the statewide total amount of certified distributions to be made under this chapter during the following two (2) calendar years.

(i) The budget agency shall before May 1 of every even-numbered year publish an estimate of the statewide total amount of certified distributions to be made under this chapter during the following calendar year.

(j) The estimates under subsections (h) and (i) must specify the amount of the estimated certified distributions that are attributable to any additional rates authorized under this chapter.

**(k) Notwithstanding any other statute, the budget agency shall adjust the certified distribution of a county to:**

**(1) provide the county with the taxes collected from nonresident county taxpayers under section 7.5 of this chapter; and**

**(2) account for taxes payable to another county by resident county taxpayers who maintain a principal place of business or employment in another county;**

**beginning not later than the tenth month after the month in which additional revenue from nonresident county taxpayers is initially collected under section 7.5 of this chapter.**



1       SECTION 16. [EFFECTIVE JANUARY 1, 2016] (a)  
2       IC 6-3.5-1.1-1, IC 6-3.5-1.1-2, IC 6-3.5-6-1, IC 6-3.5-6-8,  
3       IC 6-3.5-7-3, and IC 6-3.5-7-5, all as amended by this act, apply  
4       only to taxable years (as defined in IC 6-3-1-16) and employer  
5       remittances made after December 31, 2015.  
6       (b) IC 6-3.5-1.1-4.5, IC 6-3.5-1.1-4.7, IC 6-3.5-6-8.5,  
7       IC 6-3.5-6-9.7, IC 6-3.5-7-7.5, and IC 6-3.5-7-7.7, all as added by  
8       this act, apply only to taxable years (as defined in IC 6-3-1-16) and  
9       employer remittances made after December 31, 2015.  
10      (c) This SECTION expires January 1, 2018.

